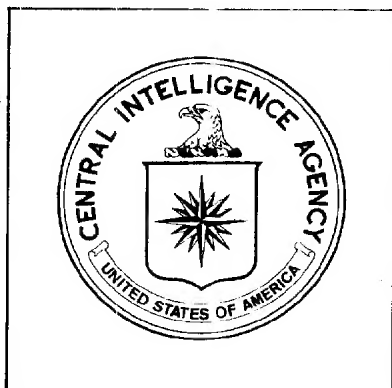


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STAFF NOTES:

East Asia

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SOUTHEAST ASIA

Indonesia-USSR: Warming Trend



Foreign Minister Adam Malik's successful visit to Moscow in late December produced no surprises but did provide further evidence that Moscow-Jakarta relations are improving. An Indonesian diplomat described them as moving from "correct but cool" to "correct and cordial." The trip capped a year of steadily increasing contacts between the two governments. A long-delayed trade agreement, which the Soviets had sought for several years, was signed in March. Jakarta has now agreed to let the Soviets begin construction of their large new embassy building, first agreed to by Sukarno but in limbo since 1965. Exchanges of official visitors also increased markedly in 1974, even though Jakarta remains cool to Soviet desires for cultural exchanges and other nonofficial visits.

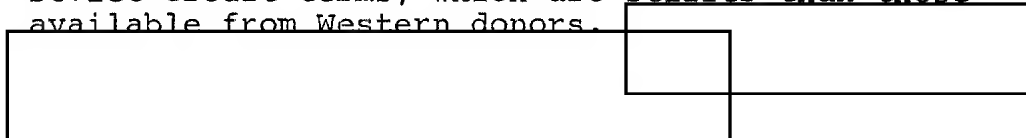
During Malik's trip, he signed a general economic and technical cooperation agreement with Moscow. The agreement does not specify the amount of credits the Soviets will provide nor the projects to be assisted; details will be negotiated later. Indonesia is interested in projects that will not require large numbers of Soviet technicians, whom Jakarta views as potential subversives. Moscow, however, favors some sort of large showy project that would provide maximum publicity for its new friendliness with Jakarta. Agreement was also reached for a visit to Indonesia during 1975 by Soviet Foreign Minister Gromyko.

Seeking better ties with the Soviet Union is part of a general Indonesian effort to improve relations with European Communist states--a conscious policy decision made in 1973 to end almost eight years of frosty relations caused by the aggressively anti-Communist outlook of Suharto and

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his military colleagues. During his recent travels, for example, Malik also visited East Germany and Hungary, where he signed trade agreements. Earlier in the year, Jakarta signed agreements with Yugoslavia, Romania, and Poland. In addition to the trade pacts, Indonesia has discussed the prospects for economic and technical assistance from these states.

The warming trend is thus partly a return to Jakarta's traditional nonaligned foreign policy that prevailed until 1965. But the decision also stems from Indonesia's perception of a changing world situation. Jakarta's leaders have noted the more moderate foreign policy of the Soviet Union in its relations with Western states. They also see a need to balance growing Chinese influence in Southeast Asia. In practical terms, moreover, they want to explore new sources of credit in the expectation that Indonesia's existing aid donors will begin reducing their commitments. More solvent financially as a result of the recent dramatic price increases in oil and other export products, Indonesia can now accept Soviet credit terms, which are stiffer than those available from Western donors.



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The Thai Student Movement--A Current Assessment

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The Thai student movement, on the ascendancy throughout 1972 and into late 1973, gained instant worldwide notoriety with the fall of the Thanom military regime in October 1973. At that time, student power and influence was at its zenith and many Thai observers believed that the once apolitical students represented a new and important addition to the Thai political equation. This assessment proved generally accurate during much of 1974. Prime Minister Sanya Thammasak, appointed to head an interim government and unsure of his public mandate, turned often to the student leadership in the early months of his administration before making important policy decisions. Today, student leaders are largely ignored by the government, reflecting the precipitous decline in public support for the student movement in general.

There can be little doubt that the university-based National Student Center of Thailand, which provided the crucial organizational backbone to the student movement in its formative years, has fallen on hard times. The group's executive committee, which once provided the leadership that brought thousands into the streets, is so rent with ideological and factional rivalries that it has been unable to choose a secretary general since last August. Moreover, although on-again/off-again elections to choose a secretary general are now set for January 12, no candidates are as yet registered for the contest. Equally humiliating to the once proud organization was the discovery last month that the chief of its financial department had embezzled some \$28,000. The revelation received headline treatment in the Bangkok press, which has become increasingly critical of the student movement.

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The reason for the decline in student influence goes much deeper than financial scandals and internecine struggles within the National Student Center. Simply put, the students lost widespread public sympathy for their cause once it became apparent that they could offer no meaningful alternative to the old political order they helped bring down. The Thai people had looked to the university students and their academic mentors to provide some direction in a country shorn of political leadership; instead, they got more student demonstrations, some of them turning violent and others serving to keep Bangkok in a state of tension during much of 1974. Student activists, such as Thirayut Bunmi and Seksan Prasertkun, found it easier and more fulfilling emotionally to organize new street demonstrations than to work with the new Sanya government to ensure an orderly transition to civilian rule.

The public, moreover, failed to perceive any distinction between the activism of university students and the lawlessness of various youth gangs, including vocational students. Thus, the public and press looked upon university-sponsored demonstrations --such as those protesting the visit of Prime Minister Tanaka, the US military presence, and the Sanya government's new constitution--as manifestations of a broader breakdown in public order.

The leftward drift of the student leadership also contributed significantly to the decline of the movement. As the public became increasingly irritated with the students' protests, their leaders became increasingly radical in their political viewpoint. In public rallies, student leaders attacked Thailand's close relationship with the US, the military's role in politics, and the conservative elite's stranglehold over the power structure. In private, activists such as Thirayut criticized the monarchy and called for the

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creation of a socialist state.

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While the student movement is clearly in a state of disarray, it is still capable of being a major disruptive force. Former prime minister Thanom's sudden return to Bangkok in late December, which almost immediately sparked a large student demonstration, served as a reminder that certain highly emotional issues can unite the various student factions into a cohesive political force. Large numbers of students are unlikely to take to the streets again in the near future unless provoked by an army coup d'etat or the return of the ousted military rulers, but growing public intolerance of student dissidence could lead to an early and perhaps bloody confrontation between students and the government.

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Burmese Government Under Fire

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The rioting in Rangoon last month was the most glaring manifestation to date of deep public dissatisfaction with the Ne Win government. A surface calm has now returned to the Burmese capital, but antigovernment sentiment is still high.

The trouble started as a protest by students and Buddhist monks over the government's shoddy funeral arrangements for former UN secretary general U Thant, but it quickly mushroomed into a more general antigovernment campaign. The government was able to quell the riots with tough measures, including the imposition of martial law and the jailing of several thousand demonstrators. It has done little to alleviate the root causes of the discontent, however, and it faces the prospect of further, more widespread unrest in the coming months.

A Military Government

One focus of growing discontent has been the domination of the army in general, and of President Ne Win in particular, over the government and the country. Since he took control in a bloodless coup in 1962, Ne Win has ruled with a heavy hand. He has virtually eliminated any serious challenge to his position by jailing many of his opponents and keeping a close watch on potential troublemakers. Ne Win makes most of the important decisions himself and delegates power only to a handful of top assistants--all former army colleagues.

Early last year, the country got its first constitution since Ne Win came to power. Although this ostensibly gave the regime a more civilian cast, army control remains firm, and little has

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really changed. Some civilians at the middle and lower levels of the government have become more frustrated than ever over their lack of influence.

Economic Woes

At the heart of recent public discontent, however, is Burma's declining economy. Ne Win's doctrinaire brand of socialism has not worked well, and economic mismanagement has been chronic. The country, once the world's leading exporter of rice, has seen such exports decline steadily in recent years together with its foreign exchange earnings. This has forced the government to reduce imports of both capital and consumer goods.

The rice situation could become more critical in the coming months. Part of the crop now being harvested was lost during heavy floods last summer. Despite the loss, however, the government intends to export some rice to earn badly needed foreign exchange. This may mean that supplies will total barely enough to meet domestic needs and that local shortages may occur in some areas.

Burma's long-standing insurgency problem has not figured in recent public protests, but the various ethnic and other insurgent groups operating around the country's periphery continue to drain resources and to tie down much of the army. While none of the rebel forces, including the Burmese Communists in the northeast who are the government's main preoccupation, poses an immediate threat to Ne Win's rule, collectively they continue to divert its attention from other serious domestic problems.

Disaffected Groups

Most of those arrested during the disturbances last month were students, who are now among the more

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active opponents of the regime. Long disenchanted with Ne Win's autocratic rule, Burma's students undoubtedly have been influenced by student political activism in Thailand and other neighboring countries, but they are not well organized or situated to become the catalyst for a serious challenge to the regime.

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The demonstrations last month also marked the first significant political action by Buddhist monks since the mid-1960s. Burma's monks, with a tradition of political activism, were not happy when Ne Win overthrew U Nu in 1962 and withdrew official recognition of Buddhism as the state religion. Many young activist monks subsequently received stiff prison terms for opposition activities. In a country that is predominantly Buddhist and where monks still have enormous prestige, it may be a sign of real trouble for the regime that monks are again participating in antigovernment demonstrations.

Last spring another group that has been politically inactive--urban workers--staged a series of strikes over high prices and low rice rations. Unlike the disturbances last month, which were largely confined to Rangoon, the strikes began at factories outside the capital and spread to Rangoon, culminating last June in violent demonstrations which were put down at a cost of more than 20 dead.

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Like other discontented groups, labor has not been well organized, and its protests have been stifled by armed force and widespread arrests. Although there has been no recurrence of violence, scattered strikes have persisted, and the workers clearly remain unhappy over the government's slowness in making good its promises of increased economic benefits.

Dissatisfaction with the regime is also evident in rural areas. Peasants are supposed to sell all of their rice to the government at the official price, but they can get a much higher price on the black market. Dwindling rice exports and the need for foreign exchange caused the government to get tough last year and arrest many farmers in an unsuccessful effort to meet its quotas. The government is now offering some additional incentives to the farmers. With another tight situation in prospect this year, however, the regime may well continue tough tactics at the risk of increasing the bitterness among peasants.

Army Still Loyal

Despite the array of disaffected civilian groups, Ne Win's position appears secure as long as the army stands firm behind him. During both the labor violence last June and the riots last month, there was no sign of any opposition among the commanders as troops put down the disturbances. If economic conditions continue to deteriorate and protests become more widespread, however, the loyalty of the officer corps would be put to a severe test. It is possible that at some point some commanders may become fed up and move against the regime.

If Ne Win should come to believe he can no longer rely on solid military support, he might decide to step aside. Now 63 years old, the President

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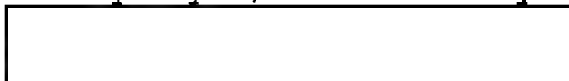
has a long history of serious health problems.



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Despite the prospect of further antigovernment agitation, the absence of any apparent civilian alternative to Ne Win and the army's loyalty thus far suggest that the President has a reasonable chance of surviving for another year or so. He may be forced to make some changes, however, to appease his critics. One way would be to give civilian groups a greater voice in the government, possibly through the new, and thus far rubber-stamp, People's Assembly. Another way would be to encourage some private enterprise, a step some officials have been arguing for as a means to overcome economic problems.

Whether or not Ne Win remains in power, the army probably will continue to play a dominant role. There are already some signs of rivalry and jockeying for position among Ne Win's key army subordinates who, while personally loyal, would clearly like to succeed him.



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Malacca Strait Oil Spill Reopens Controversies

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The oil spill on January 7 by a 238,000-ton Japanese supertanker, which ran aground near Singapore in the Malacca Strait, is likely to have far-reaching political and economic repercussions--particularly in Japan and at Geneva where the UN-sponsored Law of the Sea conference reconvenes this March. Although the spill of some 3,000 tons of oil is under control, the accident provides invaluable ammunition for long-standing complaints by Indonesia and Malaysia that today's cumbersome supertankers cannot safely navigate the confined channels of the Malacca-Singapore Straits. Indonesia has publicly called for an immediate meeting of the straits states to discuss new traffic safety measures.

The issue pits the views of Indonesia and Malaysia against those of the major maritime powers. Indonesia and Malaysia insist that the Malacca-Singapore Straits do not legally constitute an international waterway, and that ships should therefore sail through in accordance with the principle of innocent passage--which permits only ships not considered prejudicial to the peace, good order, or security of the coastal state to pass freely through territorial seas. The US, the USSR, Japan, and other maritime powers contend that passage through all straits traditionally considered international--even though technically within the claimed territorial sea of a coastal state--should continue to be free from coastal-state controls. Singapore, with an economy that depends on the free flow of ships through the waterway, has also favored a policy of unimpeded transit.

At last year's Law of the Sea Conference at Caracas, Indonesia and Malaysia leaned heavily on the pollution issue to justify their "nationalization" policy. While arguments between the maritime powers

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and the straits states over transit in international straits grew less heated in the course of the conference, the Malacca oil spill is certain to toughen the stand of the straits states at the coming Geneva meeting.

The growing fear of accidents in the Malacca-Singapore Straits, as a result of the increasing supertanker traffic on the Middle East to Japan run, prompted Indonesia and Malaysia to announce in 1972 that the passageway was no longer to be used by tankers exceeding 200,000 tons; such vessels were directed to use the longer but safer route through the Lombok and Makasar Straits--east of Bali, Kalimantan, and the Philippines. Nevertheless, supertankers up to 250,000 tons have continued to use the Malacca-Singapore passage, despite the directive and despite the dangers of its tortuous channels. The reason is purely economic. The route is nearly 1,300 nautical miles and at least three days shorter than the Lombok-Makasar passage. Depths of the shipping lane where the accident occurred are only in the 75 to 80-foot range and widths are no more than a few miles. Such dimensions provide little leeway for 200,000- to 250,000-ton vessels, which may draw nearly 70 feet when fully loaded and require three miles to come to an emergency stop from full speed ahead. Other supertankers have already scraped bottom in the straits and a 1972 accident dumped 1,000 tons of oil into the waterway.

Although Japan will issue official apologies to the three straits states and assure payment for all damages incurred by the spill, from now on both Indonesia and Malaysia almost certainly will make more of an issue of their edict prohibiting transit by tankers in the 200,000-ton-plus class. Continued disregard of the edict by Japan will damage its relations with Indonesia and Malaysia. Compliance by Japan--which gets about 80 percent of its oil via tankers from the Middle East--will add tens of millions of dollars yearly to its already massive oil bill.

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NORTH ASIA

Japan - South Korea: A Turn for the Better

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The advent of the Miki government in Japan appears to have improved the outlook for Tokyo's relations with Seoul. Any concrete gains, however, are unlikely to develop quickly because of persistent resentment and suspicion stemming from a series of incidents beginning in mid-1973 with the kidnapping of Korean opposition leader Kim Tae-chung from Japan and culminating a year later in the anti-Japanese riots in Seoul that followed the attempted assassination of President Pak by a Korean from Japan.

Some Positive Elements

Statements by Kiichi Miyazawa, Japan's new foreign minister, have been a major element in improving the atmosphere. Miyazawa recently cautioned in the Diet against "premature" ties with North Korea, and commented at a press conference that Japan should stop pressing the Seoul government "too much" on the Kim Tae-chung case. Seoul is pleased with Miyazawa's selection as foreign minister. He seems much friendlier to South Korea than either his predecessor Kimura or the working levels of the Japanese Foreign Office, and, in the Korean view, his economic background gives him better perspective on the importance of Japan's ties with Seoul.

Seoul has other important supporters at high levels in the new Miki government--Deputy Prime Minister Fukuda, ruling party executive board chief Nadao, and party vice president Shiina. As foreign minister, Shiina played a key role in the normalization of Japan's relationship with South Korea in 1965; he now has an important voice in the government because of his pivotal role in securing the prime ministry for Miki. In fact,

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Kimura may have been dropped by Miki as foreign minister mainly because of Shiina's displeasure with Kimura's handling of the Korean problem.

Miki's own attitude on Korean affairs is not clear. He may well be interested in improved ties with Seoul's rivals in North Korea; he had always been one of Peking's biggest boosters in Tokyo. Miki's relatively weak political position, however, would in any case prevent him from going against the wishes of such important conservative supporters as Shiina and Fukuda.

Seoul, for its part, has become more reasonable in its statements on bilateral issues, obviously taking a wait-and-see attitude toward Miki and his new government. Even at this early date, however, the South Korean ambassador in Tokyo is claiming that Miki is an enthusiastic supporter of improved relations with Seoul.

Some Continuing Frictions

There are, nonetheless, some factors inhibiting any effort by the two sides to move more boldly to restore their formerly close relationship.

For one, the South Korean government is unhappy over the publicized deactivation of the headquarters for Tokyo's investigation of Mun Se-kwang, the man who tried to assassinate Pak. Seoul recently gave the Japanese a *note verbale* asking that the investigation officially continue.

There is also the issue of proposed Japanese export-import credits to Pyongyang. In deference to Seoul's views, the Miki government will probably try to avoid any new commitments, but it may well feel compelled to implement two deals--for a towel plant and a bolt-and-nut factory--approved under the Tanaka regime.

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Favorable Outlook

At this point, each side seems to be waiting for a clear gesture from the other--to satisfy domestic political needs as well as requirements of "face." Tokyo, for example, would like the South Koreans to reduce the sentences of two Japanese students arrested in Seoul last year for violating President Pak's emergency decrees. This should not be difficult, and Seoul will probably move shortly to grant clemency in these cases.

The South Koreans seem principally concerned with holding a long-postponed ministerial-level meeting with the Japanese on economic aid. Usually held every year, the meeting has come to be viewed in Seoul as the symbol of Japan's friendly interest in South Korea. This time, Seoul has asked for about \$205 million in aid. It will probably get about \$120 million, disbursed over several years, though there are indications that, this time around, aid terms will be somewhat harsher and the Japanese somewhat more demanding in setting aid criteria.



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